

---

---

**MEMORANDA**  
**RESPECTING**  
**RECIPROCITY IN COAL.**

---

---

1257

---

---

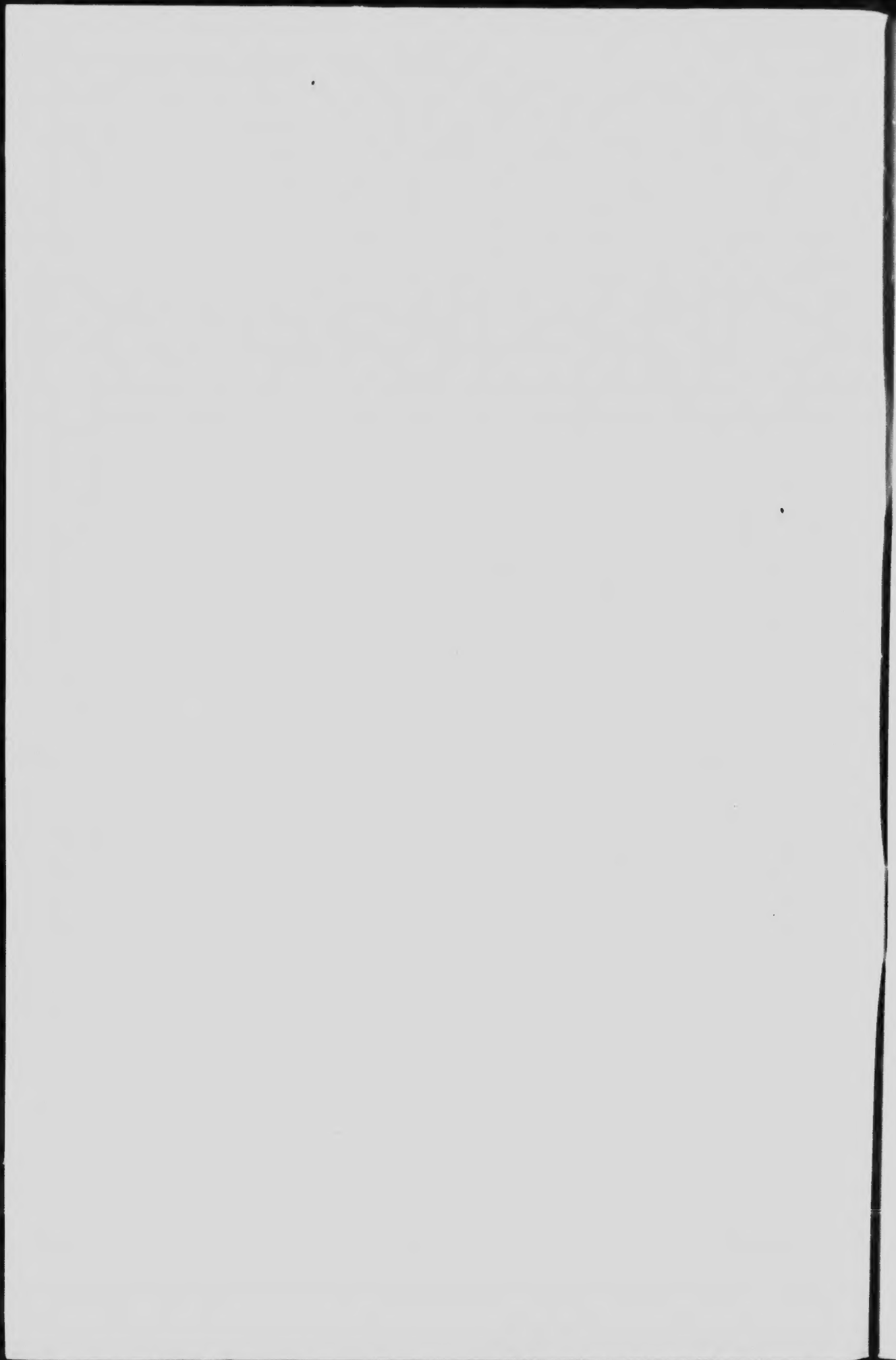
MEMORANDA

RESPECTING

RECIPROCITY IN COAL,

---

---



**Memorandum Respecting Reciprocity in Coal**  
**with the**  
**United States of America.**

SUBMITTED TO THE GOVERNMENT OF NOVA SCOTIA BY:—

DOMINION COAL COMPANY, LIMITED.  
NOVA SCOTIA STEEL & COAL COMPANY, LIMITED.  
CUMBERLAND RAILWAY & COAL COMPANY.  
ACADIA COAL COMPANY, LIMITED.  
INTERCOLONIAL COAL MINING COMPANY, LIMITED.  
INVERNESS RAILWAY & COAL COMPANY, LIMITED.  
PORT HOOD RICHMOND RAILWAY COAL COMPANY, LIMITED.  
MACKAY MINING COMPANY, LIMITED.  
COLONIAL COAL COMPANY, LIMITED.

The Companies engaged in Coal Mining in the Province of Nova Scotia understand that Reciprocity in Coal may form one of the subjects for consideration at the proposed Conference between the Government of Canada and that of the United States of America in reference to reciprocal trade relations between the two countries. The operators have made a careful study of the effect of any reciprocal arrangement in Coal and the result of their investigations and the knowledge gained by experience in the business convinces them that Reciprocity would be disastrous to the Coal Industry of the Province.

The reasons given for this opinion and the statistics in support thereof are printed as appendices hereto and the Coal operators are convinced that a study of these papers will lead to the conclusion that their opinion is right.

## I

There is now invested in the Coal Mining Industry of this Province over \$50,000,000 and more than 17,000 men and boys are directly engaged in mining alone. One fifth of the population of Nova Scotia is dependent on this industry for a livelihood and more than one-third of the total Revenue of the Province is from Royalties on Coal. The production has increased from 800,000 tons in 1879 to 6,300,000 tons in 1908. At least \$10,000,000 is paid out for wages and supplies every year and about \$8,500,000 of this amount is for wages. To realize the importance of the industry to Canada there must also be taken into consideration the men employed by the Railways and in the fleet of ships necessary for transportation of the Coal, and about its storage and handling in Montreal and other cities. The amount paid by the Coal Companies to the Harbour Commissioners of the ports of Montreal and Quebec alone amounts to over \$100,000. Next to Steel, Coal is the best revenue producer of the Intercolonial Railway.

The manufacture of Steel can only be carried on successfully near an abundance of cheap coal. If production is curtailed less slack (cheap) coal will be made and the Steel Industry is made impossible. More than 6,000 men are employed in the Steel Industries of Nova Scotia and one eighth of the total revenue of the Intercolonial Railway is derived from the transportation of Steel products.

## II.

It is abundantly clear from the debates in Parliament and the speeches of public men both before and after the National Policy Tariff of 1879 that the duty was placed on Coal to offset the duty on flour; that a compact was made between the public men of Canada that the Maritime Provinces would submit to a duty on flour to benefit the Province of Ontario, and as a compensation therefor Ontario would support a duty on Coal. This agreement was one of the

"give and take" arrangements so often entered into between provinces with conflicting interests and has become part of our national life and it is submitted that Nova Scotia has the right to have the compact maintained.

### III.

The papers published as appendices establish beyond peradventure the impossibility of any large quantity of Nova Scotia Coal finding a market in New England.

The reasons urged at length in the several papers may be briefly summarized: The alliance between coal mine owners, railway and selling companies who control the market, the reduced cost of transportation and of handling coal at the terminals, the difficulties of breaking into an established business with a grade of coal not familiar to consumers and the heavy initial expense to secure necessary terminal facilities and discharging plants if an effort was made to secure part of the New England trade.

Our sales to New England have been declining. In 1906, we sent 770,000 tons against a duty of 67 cents a ton on round and 15 cents on slack whilst last year we sent only 325,000 tons with a duty of 45 cents on round and 15 cents on slack. The enactment of the Smoke Law by the Legislature of Massachusetts effectually prohibits Nova Scotia Coal from being used in Boston or its environs the one district where there was any hope of marketing our product to advantage, and so far as Reciprocity in Coal is concerned the enactment of this Statute gives the United States nothing to offer in exchange for free entrance of their coal to our markets.

The papers printed on behalf of the Pictou Collieries show that under Reciprocity their continued existence as producers of coal is rendered impossible. This means the effacement of three towns and the blotting out of industries that produce between 600,000 and 700,000 tons of coal.

#### IV.

Nova Scotia now sends to the St. Lawrence market (in which is included Ontario as far as Brockville and Ottawa) about 2,000,000 tons a year. Notwithstanding a duty of 60 cents the United States operators in 1906 sent in 3.60 per cent of the bituminous coal used in the Province of Quebec. They have since been increasing their importations and are now supplying over 20 per cent.

Particular attention is directed to the reasons given on pages 15, 16, 21 and 25 of the appendices to show that without the present duty Coal from the United States would largely displace Nova Scotia Coal in Montreal and the zone supplied from Montreal of which Sherbrooke, Brockville and Ontario are the circumference. The result would be that the present home market where the operators have an established and certain business with customers familiar with our product would be lost in great part, and new markets must be established in a foreign country in the face of such adverse conditions that render, in the opinion of the operators, success impossible.

It must be remembered that most manufacturers use slack coal upon which there is a duty of only 15 cents, or anthracite dust which is free, and that the duty on round bituminous coal does not enter into the cost of the principal lines of manufactured goods. Reference is had on this point to page fifteen. The maintenance of strong Companies in Nova Scotia is essential to cheap coal for Ontario and Quebec, as the United States producer will maintain the price on the Lakes at a point that will prevent the marketing of Nova Scotia Coal. Oust Nova Scotia Coal from the St. Lawrence market, and the price can then be fixed as the foreign producer may dictate.

## V.

It is the declared policy of the Government that no change will be made in our fiscal system that makes the British Preference ineffective. Steamers in the grain and timber trade bring out English and Scotch Coal as ballast to St. Lawrence ports. This coal is subject to a duty of 40 cents. The anomaly that British Coal should pay a duty and coal from the United States no duty is against the principle of the Preference.

## VI.

The operators submit that the effect of Reciprocity would be to develop lines of trade North and South and render ineffective all the efforts of Canadian money and enterprise to establish these lines East and West. This would have a ruinous effect on the trade of the Intercolonial Railway and the business of the ports of Montreal, Quebec, St. John and Halifax. The Transcontinental Railway from Winnipeg to Moncton would be made valueless to Canada.

The operators are of the opinion that under any reciprocal arrangements as to Coal:

- (a) That little or no Nova Scotia coal can be profitably marketed in New England.
- (b) That a large part of the St. Lawrence trade would be lost to Nova Scotia.
- (c) That the effect will be most disastrous to the Coal Industry and will seriously imperil the growing Steel Industry.
- (d) That it will disorganize inter-provincial trade and cause serious loss of revenue to the Intercolonial Railway.



(e) That it will prejudicially affect the Provincial Revenue.

(f) That it will impair the revenues of the Harbour Commissioners of Montreal and Quebec.

(g) That it will throw out of employment large numbers of men and take away the home market from our farmers and merchants.

(h) That coal will not be any cheaper in the Provinces of Quebec and Ontario.

(i) That all the advantages would accrue to United States operators and Railway Companies.

(j) That under the present tariff the Coal Industry has expanded enormously enabling large Steel Industries to be established, and the operators say it is against the best interest of the State to alter a situation that has proved economically sound.

DOMINION COAL COMPANY, LIMITED,

J. H. PLUMMER,

*President.*

THE NOVA SCOTIA COAL & STEEL COMPANY LIMITED,

ROBT. E. HARRIS.

*President.*

CUMBERLAND RAILWAY & COAL COMPANY,

J. R. COWANS,

*General Manager.*

ACADIA COAL COMPANY COMPANY, LIMITED,

CHAS. J. COLL,  
*General Manager.*

INTERCOLONIAL COAL MINING COMPANY, LIMITED,

D. FORBES ANGUS,  
*Vice-President.*

INVERNESS RAILWAY & COAL COMPANY,

W. D. BARCLAY,  
*General Manager.*

PORT HOOD RICHMOND RAILWAY COAL COMPANY,  
LIMITED,

T. D. LAW,  
*General Manager.*

MACKAY MINING COMPANY, LIMITED,

W. A. MACKAY,  
*President.*

COLONIAL COAL COMPANY, LIMITED,

W. A. MACKAY,  
*President.*

**EXTRACT FROM**  
**MINUTES OF MEETING OF COAL OPERATORS**  
**CALLED BY**  
**THE GOVERNMENT OF NOVA SCOTIA.**

A meeting of Representatives of Coal Companies engaged in business in the Province of Nova Scotia was held at Halifax on Friday, October 21st, 1910, to decide on the course to be adopted at the meeting to which they are summoned by the Government of Nova Scotia, for the purpose of considering the questions involved in a Treaty of Reciprocity with the United States of America as far as the same might affect the coal interests of the Province.

The following coal operators were represented at the meeting:—

Dominion Coal Company, Ltd.  
Nova Scotia Steel & Coal Co., Ltd.  
Cumberland Railway & Coal Company.  
Acadia Coal Company, Ltd.  
Intercolonial Coal Mining Company, Ltd.  
Inverness Railway & Coal Company.  
Port Hood, Richmond Railway Coal Company, Ltd.

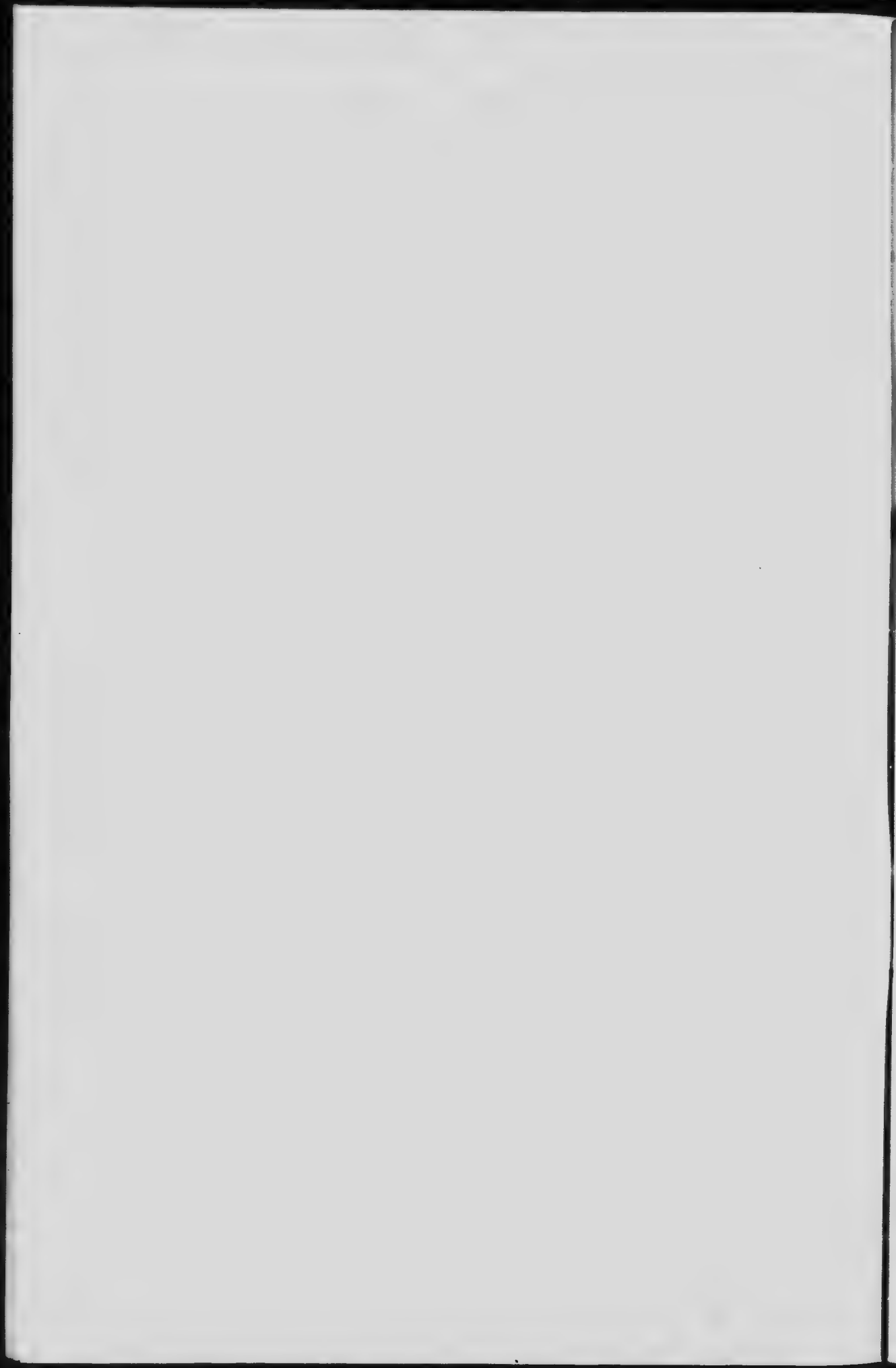
The Companies represented, who are producers of ninety-eight per cent of the entire output of coal in Nova Scotia, unanimously adopted the following declaration for submission to the Government of Nova Scotia:

1. Having carefully considered all the questions involved, the Coal operators present are convinced that the free admission of bituminous coal to the Canadian market, or any lowering of the present duty, will affect the coal industry of Nova Scotia disastrously; will injure the Province by depriving it of revenue; will seriously affect the opportunities for employment for workmen; and will impair the home market for agricultural products; and also that no reciprocal arrange-

ments will afford adequate compensatory advantages in the way of markets in the United States.

2. In support of this opinion a paper prepared by the Honorable Robert Drummond, and statements made on behalf of several of the Coal Companies are submitted herewith.

3. The Government of Nova Scotia is respectfully urged to represent to the Federal Government that it would be against the interests of the Province of Nova Scotia that coal should be included in any reciprocal arrangements with the United States.



---

---

## Appendices.

---

---



**MEMORANDUM RESPECTING RECIPROCITY IN COAL**  
**WITH**  
**THE UNITED STATES OF AMERICA.**

**SUBMITTED TO THE MINISTER OF FINANCE**

**BY**

**DOMINION COAL COMPANY, LIMITED.**

---

The following statement is respectfully submitted on behalf of the Dominion Coal Company, Limited.

1. Such support as a policy of reciprocity in coal has received in Canada appears to be based on the theory that the Nova Scotia Collieries would secure a large market in New England, to offset their loss of trade in Quebec and Ontario. It is assumed that the policy could not possibly be discussed except on this theory.

2. The free access to the United States markets which the Nova Scotia Collieries would gain under reciprocity would, however, be an almost empty privilege.

The coal trade in Boston and New England has in recent years been revolutionized by important developments in the mining and transportation of coal. The conditions which formerly existed have entirely changed, and the ability of the Nova Scotia Collieries to find a market there has steadily decreased.



The developments have been general, but are most marked in the West Virginia coal fields, whose products reach the seaboard at about the same distance from Boston as Louisville. By the construction and equipment of railways, steamers, loading and discharging plants, and other transportation facilities of the most modern and most economical type, at an enormous cost, the West Virginia mines have gained a strong hold on the New England market. These developments still continue, and the cost of production and transportation may be further lessened.

The consolidation of the New England Railroads has also affected the situation. Their enormous trade of 5,000,000 tons a year all goes into American channels, and so far as the supply of coal by rail is concerned, their influence cannot but be entirely in favour of American coal.

3. Nova Scotia coals are generally excellent steam coals, but those from West Virginia are less volatile and are freer from sulphur; they are in fact of a different class, make less smoke, and are generally more desirable. The appliances installed by the large consumers are adapted to the use of this coal, and they cannot without inconvenience and expense use Nova Scotia coal, which debars us from their trade.

4. Notwithstanding our efforts to sell coal in New England, our shipments have been steadily decreasing, and even with concessions in price equal to the amount of duty, we have recently found that we could not secure contracts. We made strenuous efforts to place coal in New England during the past year, chiefly to provide steadier employment for our men during the winter months, and were willing to work on a very small margin of profit, but were entirely unsuccessful.

5. These conditions arising out of the natural development of the trade are in themselves conclusive, but, in addition, an absolute bar to the sale of our coal has been created by the legislation passed by the State of Massachusetts in

June last, to abate the smoke nuisance. By this legislation the State has practically closed its doors against Nova Scotia coal; the terms of the Act, which is supplemented by local regulations elsewhere, as at Springfield and Worcester, preclude the use of the high volatile Nova Scotia coals in the chief New England markets, except under conditions which are commercially unattainable.

6. So far as we can judge, reciprocity would give us nothing tangible to make up for the loss of other markets, and would lead directly to a decrease of production. It might be that with a lessened production of coal throughout the Province, labour would be more plentiful, wages lower and supplies cheaper, and that the collieries capable of being most economically worked might thereby be able to avert the more serious consequences, but this would merely place the burden on other shoulders.

7. It is scarcely necessary that we should refer to the effect on the Province of Nova Scotia; on the Provincial revenue from royalties on coal; on the miners and other workmen; on the trade of the Province, both internal and with other Provinces. The large coal-carrying trade on the St. Lawrence would be curtailed, and its benefits to the ports on the St. Lawrence and in Nova Scotia correspondingly decreased.

8. Several objections of a practical nature may be briefly stated;

(a) There are obvious disadvantages inherent in a terminable arrangement; they cannot be eliminated, and a long term agreement would only defer them. During the period of reciprocity new and cheaper lines of carriage would be developed; new business connections and alliances built up; consumers would become used to and provide appliances for a different class of coal, etc. All these conditions would be the more developed as the period is lengthened; they would make the recovery of our lost markets very difficult, and tend to

perpetuate the control of our markets by the American coal mines.

The lack of permanency would also affect the installation of the facilities for handling coal, without which the Nova Scotia Collieries could not hope to enter the New England market. Wharves, discharging plants, railroad connections, etc., would involve a heavy investment of capital, which would be imprudent under a terminable arrangement, even if the other conditions would justify it.

(b) It must be expected that our American competitors will join with the railways and others to hold the home market; such an alliance would be more effective now than at any time in the history of the trade, because of the conditions referred to above.

(c) The mere removal of the duty would not place us on equal terms; we should be in a foreign market, with everyone who could be moved by patriotic, local or interested motives, working against us.

(d) As regards the Anti-Smoke legislation, which in itself seems to put the question of reciprocity outside the possibility of discussion, it may be argued that reciprocity would lead to a modification of this law, but the State Legislature and the Municipal authorities are not controlled by the Federal Government, and we see every reason to look for a wider application of the principle rather than the reverse. It appeals to the ordinary American citizen as a distinct advance in civic conditions, which incidentally supports a home product, and he would be strongly influenced by both considerations.

10. This memorandum expresses the views of this Company only, and does not assume to speak for others, but the judgment expressed above as to the disadvantages of reciprocity to the Nova Scotia Collieries is concurred in by producers of ninety per cent. of the coal mined in the Province.

Some general considerations bearing on the question are set out in an appendix in further support of our views, and the whole is respectfully submitted for the consideration of the Government.

For the DOMINION COAL COMPANY, LIMITED,

J. H. PLUMMER,

*President.*

Montreal, 8th October, 1910.

## APPENDIX.

1. The foregoing Memorandum is directed to the situation as more particularly affecting Nova Scotia, but if our belief as to the effect of reciprocity in that Province is well-founded, it is fair to ask whether the conditions elsewhere call for such a sacrifice of Nova Scotia interests.

2. So far as we are aware no objection to the continuance of a duty on coal exists in the Province of Quebec, except of the most limited character.

Objection is said to exist in the Province of Ontario, which Province largely benefits by the demand for machinery, food supplies, etc., created by the coal industries in Nova Scotia, and by the iron and steel industries which depend on and are bound up with them. The following comments on the position of purchasers of coal in Ontario are therefore respectfully submitted:

(a) The manufacturers of Ontario are not handicapped in their manufacturing costs by the duty; the cost of coal to them, duty paid, is about the same as to their Eastern competitors. In the case of slack coal, which they use largely, the duty is so low that its removal would have no material effect.

(b) No tax is more fairly distributed. Manufacturers add it to their costs and prices, and, in theory, if it were removed the saving should go to their customers. Railways add it to their passenger and freight rates, and, theoretically again, if the duty were removed their rates should be reduced by precisely an equivalent amount, as the tariffs approved by the Railway Commission are based on the current cost of operation.

(c) It may be doubted whether the removal of the duty would decrease the price of coal in Ontario; it had not that effect in the case of anthracite. It is true that there is more

competition in bituminous coal, but the business of mining soft coal in some of the districts which supply Ontario is known to be in a very unsatisfactory state, and carried on without a reasonable profit, and it may, therefore, be expected that with the removal of the duty, the mine owners would try to hold the market at current prices; it would be entirely within their control, and the Canadian consumer would be helpless against any combination that might be formed.

(d) The coal industry of Nova Scotia, with iron and steel industries which directly depend on it, furnish the chief exports from the Province to other parts of Canada, and are the foundation, in turn, of the large purchases made by Nova Scotia from the Western Provinces. The volume of this trade is unquestionably very great, and it is secured to the farmers and manufacturers of Ontario and Quebec by the tariff.

The cost of these imports is relatively high, and the prevailing wages paid to miners and steel-workers are also high, due chiefly to the high cost of living. These conditions are accepted as equitable under a fiscal policy which seeks to protect all parts of Canada alike, but the same consideration requires that no changes which would disturb the general balance of trade, or injure one Province to benefit another, should be considered.

3. The importance of the industry to the Province of Nova Scotia is very great. Its entire revenue in 1908 amounted in round figures to \$1,783,400, of which \$616,900 was derived from Royalties on coal. The proportion was somewhat smaller in 1909 because of labour troubles.

In 1907 the Coal mining companies in Nova Scotia paid out for labour and supplies a sum slightly exceeding \$10,000,000; this is based on the actual figures furnished by the various Companies. The amounts paid out by the Iron and Steel manufacturers, whose ultimate prosperity is bound up with

that of the Coal Companies, would not fall much short of the same amount.

4. A comparison of labour conditions may fitly be made. In the Eastern and Southern coal mining districts of the United States a large number of foreigners and negroes are employed, and from this and other causes the cost of mining as compared with Nova Scotia is much lower.

The men employed in the Nova Scotia collieries are of an excellent class; they are, as a whole, very well paid, their standard of living is high, and the provisions for their safety and comfort are far beyond what is customary in the United States. The mining laws of Nova Scotia are as advanced in this respect as in any country in the world, and the Coal Companies find it to their interest as well as their duty to carry them out faithfully.

We respectfully submit that the difference in labor conditions should be considered when a proposal to wipe out our tariff protection is under discussion. The laws of the Province respecting mining, the general influence of our Canadian standards, and the character of the population which supplies the greater part of our labour, make it impossible for us, even if we were willing, to use the cheap labour which our competitors are able to employ.

**COPY OF LETTER WRITTEN BY NOVA SCOTIA STEEL &  
COAL CO, LTD., TO HON. W. S. FIELDING, MINISTER OF  
FINANCE, ON THE SUBJECT OF RECIPROCITY IN COAL.**

NOVA SCOTIA STEEL & COAL COMPANY, LIMITED,

PRESIDENT'S OFFICE,

HALIFAX, OCTOBER 19TH, 1910.

HONORABLE W. S. FIELDING,  
MINISTER OF FINANCE,  
OTTAWA, ONT.

SIR:—

In view of recent articles appearing in certain Ontario newspapers, upon the subject of Reciprocity in Coal, and the intimation that you are shortly to meet Representatives of the United States Government to discuss the subject of Reciprocity between the two countries, it is, we trust, unnecessary to apologize for writing you upon a subject of so much importance to Nova Scotia.

There is at the present time invested in the Coal Industry of this Province, we estimate, not less than \$40,000,000 to \$50,000,000, and the Companies interested pay out for labor and supplies annually upwards of \$10,000,000.

According to the Reports of the Department of Mines, (Canada) for 1908, there were in that year about 17,000 men and boys employed in and about the Coal Mines of Nova Scotia. Last year, owing to strikes, this number was reduced somewhat, but at the present time the number cannot be less than 17,000.



Making due allowance for the boys (who constitute only about 1000 of the total number of employees) it will be seen that we are safely within the mark in saying that not less than 80,000 persons live to day in Nova Scotia, solely, and only because of the employment afforded by its coal mines.

There are to-day approximately 6,000 men employed in the Iron and Steel Industries of Nova Scotia. This represents a population of say 30,000 more who are also dependent upon the operation of the coal mines.

We say this because cheap fuel is necessary for the operation of the Steel and Iron Companies of Nova Scotia, i. e., slack coal for the production of coke.

With a total production of approximately 4,000,000 tons of coal in Cape Breton County (where two of the three steel plants are situated) there is only about sufficient slack coal to keep these steel plants in operation.

While aware that some slack coal is shipped to Boston, we do not take it into consideration, because, first, the quantity is comparatively small; secondly, it is a diminishing quantity and likely to soon cease entirely; and, thirdly, it will soon be more than offset by the increased consumption of the Steel Companies.

In other words, if these coal mines annually produce less than about 4,000,000 tons of coal, the steel plants cannot obtain the necessary slack coal to keep them in operation. It must be conceded that the Coal Companies cannot produce the slack coal at a cheap rate unless they have a profitable market for large coal. If therefore the market for large coal is lost, it means not only the closing of the coal mines, but the ruin of the Steel Industries.

Of the Provincial Revenue for 1908, of \$1,783,400, the Coal Royalties produced \$616,900.

Nova Scotia, without her Iron and Coal Industries, and, the other Industries closely allied with, and to a large extent dependent upon them, would lose one-third of its revenue and one-fifth of its population, and in a few years become a small community, consisting principally of farmers and fishermen, producing little more than sufficient for their own wants and with only a very limited market for any of their surplus products.

Being convinced that Reciprocity in Coal with the United States means practically the destruction of the Coal Mining Industry of Nova Scotia, with all the conditions referred to, we are impelled to write you on this occasion.

We take it as a foregone conclusion that the present Government, or any other Government in Canada to-day, would extend to Great Britain the same privileges given to the United States. In other words, free coal from the United States would mean free coal from Great Britain.

If so, the Coal Miners of Nova Scotia must compete with not only American coal, but coal brought from Great Britain at ballast rates by the freight steamers returning to Montreal, Quebec, St. John, Halifax and other ports.

It may possibly be suggested that the free admission of coal from the United States does not necessarily mean free coal from Great Britain, and we therefore propose to discuss the subject upon the supposition that coal from Great Britain will not be admitted free, only pointing out, however, that if it is admitted (as we believe it must if American coal is admitted free) that the destruction of the Nova Scotia Coal industry will be accomplished in a shorter time and will be made more complete thereby.

The principal market to-day for the coal of Nova Scotia, apart from slack coal, is on the St. Lawrence River. The Coal Companies have spent upwards of \$2,000,000 in discharg-

ing plants at Montreal, Quebec, and Three Rivers, and the St. Lawrence trade is absolutely necessary to the existence of the lustry.

The total sales of Coal in the provinces of Quebec, New Brunswick, Nova Scotia and P. E. Island, for the years 1906, 1907, 1908 and 1909, are shown by the annexed table prepared by Mr. Hiram Donkin, Deputy Commissioner of Mines for the Province of Nova Scotia.

It will be noticed by this table that the United States mines furnished 3.6 per cent in 1906, 12.6 per cent in 1907, 22.3 per cent in 1908, and 19.6 per cent in 1909 of all the bituminous coal used in the Province of Quebec, while during the same period the proportion of the total consumption of coal in the Province of Quebec supplied by Nova Scotia declined from 71.4 per cent in 1906 to 57.7 per cent in 1909—being a decrease of about 20 per cent.

If the coal producers of the United States were able to make such inroads upon the sales of Nova Scotia coal, notwithstanding a duty of 60 cents per ton, can there be any doubt about their taking practically the whole of this trade if the duty is removed?

We think we are well within the mark in saying that the average profit made by the Coal Companies doing business in Nova Scotia during the last five years was less than thirty cents per ton, or one-half the amount of the duty. In view of these facts, is it not certain that the St. Lawrence market must be lost to Nova Scotia if the United States bituminous coal is admitted free? The question does not seem to admit of argument.

But it may be said that Nova Scotia coal can be sent to the United States and that we will gain a larger market for the loss of the smaller. For the present let us leave out of consideration the loss that the Coal Companies must sustain

on their discharging plants on the St. Lawrence River, the enormous expenditure they must make for such plants in New England, the time necessary to work up a new business in a foreign country, and the disorganization and loss of business in the meantime, and proceed to discuss the question as to the possibility of Nova Scotia coal obtaining a market in the United States.

That our coal cannot be profitably marketed in New England is evident for the following reasons:

1st. There would be a prejudice against it on account of its volatile and sulphur contents, being higher than the better grades of United States bituminous coal.

There is always a prejudice against a new coal. It takes time to educate firemen to use it to the best advantage, and changes must be made in boiler, and furnace, grates, etc. For these and other reasons, we are assured that we must accept from 30 cents to 50 cents per ton less for our coal than the selling price of United States coal in the same market, if indeed we could hope to sell it at all.

2nd. Pennsylvania, Maryland, Virginia and West Virginia, the states supplying the bulk of the coal sold in New England, produce from 150,000,000 to 180,000,000 tons annually, as against about 5,000 000 tons produced by Nova Scotia. They have had the New England market for years, and it is not reasonable to suppose they will yield it to us without a struggle. They would without doubt fight the admission of Nova Scotia coal by a reduction of price, and in every other way possible.

During a recent visit of our Coal Sales Agents to the New England markets, they saw Pennsylvania coal sold in Boston at \$2.70 per ton free alongside. They were told that the best grades of Nova Scotia coal could not be sold in New England markets except at a reduction of from 30 cents

to 50 cents per ton from the price of American coal, owing to reasons already referred to.

It is possible that some few schooner loads might be sent to some of the Maine ports but this trade would be of trifling importance in comparison with the enormous loss elsewhere.

3rd. The Railway Companies of the United States have spent millions on their roads and equipment for the purpose of handling the United States coal.

They want the "long haul" from the Pennsylvania and Virginia mines to the New England market.

They will not haul Nova Scotia coal a short distance from the American seaboard to the inland towns and cities at any fair rate or at any rate that will enable us to capture any of their inland trade. Will they not fight us in every way to hold the long haul which gives them their big freights and in preparing to handle which they have spent so much?

In other words, is it not certain that we will have to encounter the active opposition of not only the wealthy Coal Companies but the wealthy Railway Companies in addition to the patriotic inclinations as well as the prejudices of the consumer?

---

With such conditions, successful competition in New England market is hopeless.

There are two other considerations affecting the admission of Nova Scotia coal into the New England market that should be referred to.

(a) With regard to the necessity of discharging plants: Coal cannot to-day be successfully marketed unless cheaply transported. It cannot be cheaply transported except in large steamers of 6,000 to 12,000 tons capacity, and such boats must be discharged quickly otherwise they cannot profitably be employed. Every hour spent in discharging means an addition to the freight and therefore costly discharging plants are absolutely necessary. There are no less than eight such plants used by the Nova Scotia Collieries at Montreal, Quebec and Three Rivers.

To acquire suitable locations in Boston, Portland and other New England centres and erect the necessary discharging plants would cost not less than \$3,000,000.

It would take at least two years to learn where the suitable locations are, and erect the plants.

How many Companies engaged in the Coal business in Nova Scotia have the necessary capital to undertake this expenditure? Possibly one. In any case, not more than two.

Would they have the necessary courage (assuming they have the capital) to spend so large an amount in a business surrounded by so many uncertainties and with so little promise of profit?

What about the business of these Companies during the time which would elapse before they could get the necessary equipment?

What about the Companies who have neither the capital to expend nor the quantity of coal to market, which would warrant such an expenditure?

On the other hand, American coal is brought to Quebec Province by rail and barges, and the American colliery owners

already have the facilities for reaching the St. Lawrence market, and they would secure that trade without any special expenditure to speak of.

(b) Another consideration affecting this matter which should be referred to is the Act passed by the Legislature of Massachusetts in 1910 relating to the Smoke Nuisance. Its effect will be to prohibit the use of Nova Scotia coal in Boston, Cambridge, Somerville, Everitt, Chelsea, Brookline, also in Springfield and Worcester where similar results have been accomplished by local regulations. These are the cities which consume a large percentage of the bituminous coal in New England. What would there be to prevent the Legislatures of the various States, or other cities by local regulations, from extending the prohibited territory so as to cover the rest of New England?

It may be said that to do so would be a breach of faith. But we cannot forget that the American Federal Government imposed a tax on packages containing free fish under a former treaty, while in this case the Federal Government would not need to act, but might leave the regulations to be made by the State Legislatures or Civic authorities, and would thus always be able to plead lack of jurisdiction.

The foregoing are surely good reasons for concluding that the St. Lawrence market would be lost and the New England market would not be gained for Nova Scotia, if bituminous coal is admitted free from the United States.

Some American bituminous coal even to-day finds its way into New Brunswick and Nova Scotia, and it is certain that British coal would be brought to both Provinces if coal from Great Britain is also free. With free coal the small amount of trade which would be left to Nova Scotia would not be sufficient to keep one Company in full operation.

Can the importance of this matter be over estimated? The enormous loss of capital, the throwing of so many people out of employment, the loss of population, the disorganization of trade and the consequent ruin to so many people, the loss of Provincial revenue, and the other inevitable results, are too serious to contemplate.

But let us see whether there is any compensating advantage to be gained by Canada as a whole.

It is suggested that Quebec and Ontario would get cheaper Luminous coal.

This is a fallacy, and without foundation, as past history abundantly proves.

What happened in Canada when the duty was taken off Anthracite Coal? The American producer added the duty to the price, and it has since been going into the pockets of the United States coal owners and railway companies.

The people of Canada are paying it, and the country is losing the revenue.

Does anyone imagine that the United States colliery owners, when they have killed off the Nova Scotian competition, would not put up the price so far as the Province of Quebec is concerned?

Is it not the fact that Quebec at least is getting cheaper coal to-day with competition from Nova Scotia, United States and Great Britain, than it would if the Nova Scotia coal industry was out of existence?

So far as Ontario is concerned, United States colliery owners have no competition in that market, and would they not do what the Anthracite owners did before, i. e., maintain



the present price, and thereby add the duty to their present profits.

Quebec and Ontario have extensive water powers. Ontario has natural gas. Slack coal (used principally for manufacturing purposes) pays only 15 cents duty, and no one can reasonably say that the industries of either Province are suffering on account of coal duty.

The sacrificing of the coal industry of Nova Scotia would be of no advantage whatever, or at most, a very trifling advantage to either Ontario or Quebec.

From the Hansard reports and other sources, it clearly appears that in 1879 there was an understanding that the duties on Western food products, oil and manufactured goods should be offset by a protective duty on Nova Scotia coal.

Western flour, meats, oil and all classes of manufactured goods are protected, and Nova Scotia is paying its share of these duties. Even if Ontario has to pay more for her coal than she would with free coal (which we submit is a doubtful question to say the least of it) she can not complain while her flour, meats and manufactured products are protected.

Canada cannot exist without "give and take" on the part of all the provinces and notwithstanding what certain Ontario newspapers may have said with regard to the coal duties, we cannot think that they voice the sentiment of the people of Ontario in asking for reciprocity in coal.

The people of that great Province are too sensible to take such a narrow view of a question of such vital importance to the existence of Confederation.

Our belief is that the sentiment of Canada is overwhelmingly against any reciprocity agreement with the United

most British boys, and many  
have been sent to the  
United States of America  
and other countries.

# Statement showing Coal Supplied by Great Britain and the United States to the Provinces of Quebec, New Brunswick, Nova Scotia and Prince Edward Island for the Fiscal Years 1908, 1909

YEAR	SUPPLIED BY	CLASS	USED IN PROVINCE OF			
			QUEBEC	New Brunswick	Nova Scotia	Prince Edward Island
1906	United States.....	Anthracite.....	609,552	47,960	53,435	
	".....	Bituminous.....	56,969	1,077	126	
	".....	" Dust...	8,471	Nil	25	
	Total United States Coal	by Provinces.....	674,992	49,037	53,586	
	Nova Scotia.....	Bituminous.....	1,739,298	434,882	1,974,237	
	Great Britain.....	".....	22,000	Nil	Nil	
			1,761,298	434,882	1,974,237	
1907	United States.....	Anthracite.....	688,443	57,225	61,629	
	".....	Bituminous.....	198,543	5,188	4,167	
	".....	" Dust...	52,216	Nil	34,761	
	Total United States Coal	by Provinces.....	939,202	62,413	100,557	
	Nova Scotia.....	Bituminous.....	1,709,592	427,128	1,842,419	
	Great Britain.....	".....	24,039			
			1,733,631	427,128	1,842,419	
1908	United States.....	Anthracite.....	840,489	75,135	70,418	
	".....	Bituminous.....	463,391	23,470	3,454	
	".....	" Dust...	132,060	Nil	6,899	
	Total United States Coal	by Provinces.....	1,435,940	98,605	80,771	
	Nova Scotia.....	Bituminous.....	2,047,638	510,330	1,950,632	
	Great Britain.....	".....	21,238	Nil	Nil	
			2,068,876	510,330	1,950,632	
1909	United States.....	Anthracite.....	721,059	67,675	65,355	
	".....	Bituminous.....	259,379	4,705	3,434	
	".....	" Dust...	120,787	Nil	37,380	
	Total United States Coal	by Provinces.....	1,101,225	72,380	106,169	
	Nova Scotia.....	Bituminous.....	1,537,079	542,825	1,557,154	
	Great Britain.....	".....	1,981	5,819	4,181	
			1,563,060	548,644	1,561,335	
			Proportion of total consumption of Bituminous Coal supplied by the United States			
			1906	1907	1908	
			3.6%	12.6%	22.3%	

**Great Britain, Nova Scotia and United  
ec, New Brunswick, Nova Scotia and  
ars (Nova Scotia) of 1906, 1907,  
09 and 1910.**

	P. E. Island	Totals	Total Consumption	PROPORTION OF TOTAL CONSUMPTION SUPPLIED BY		
				United States	Nova Scotia	Great Britain
35 26 25	5,018 Nil .....	715,175 58,172 8,496				
86	5,028	782,643				
37	76,809 Nil	4,225,228 22,000				
37	76,809	4,247,228	5,029,869	15.6%	84%	04%
29 67 61	6,731 Nil Nil	814,028 207,898 86,977				
57	6,731	1,108,903				
19 .....	77,493 .....	4,056,632 24,039				
19	77,493	4,080,671	5,189,574	21.4%	78.1%	0.5%
18 54 99	15,851 Nil Nil	1,001,893 490,315 138,959				
71	15,851	1,631,167				
32	63,331 Nil	4,571,931 21,238				
32	63,331	4,593,169	6,224,336	26.2%	73.5%	0.3%
55 34 80	9,627 Nil Nil	863,716 267,518 158,167				
69	9,627	1,289,401				
54 81	78,891 .....	3,715,949 35,981				
35	78,891	3,751,930	5,041,331	25.6%	73.7%	0.7%

minous Coal in Province of Quebec  
United States.

Proportion of total consumption of Coal in Province of Quebec  
supplied by

	1909	1910 Estimated		1906 %	1907 %	1908 %	1909 %
%	19.6%	24%	United States.....	27.7	35.1	41.	41.3
			Nova Scotia.....	71.4	63.9	58.4	57.7
			Great Britain.....	0.9	1.0	0.6	1.0

2nd building had private business  
only and no commercial sale of goods  
made. Private sale and limited at 1  
each.

States—and properly so. Our object, however, is not to discuss that question, but simply to point out the great danger (if reciprocity is to be discussed) there is in including coal as one of the subjects of such a treaty.

We have the honor to be,

Sir,

Your obedient servants,

NOVA SCOTIA STEEL & COAL CO., LIMITED,

ROBT. E. HARRIS,  
*President.*

# **ACADIA COAL COMPANY, LIMITED.**

---

## **MEMORANDUM RESPECTING RECIPROCITY IN COAL.**

**With**

## **THE UNITED STATES OF AMERICA.**

---

The recent public discussion of matters pertaining to reciprocal trade relations between Canada and the United States has commanded the serious attention of coal operators in the Maritime Provinces. The question of reciprocity between the two countries, in coal, is one of serious moment to the companies engaged in the mining of bituminous coal in the Eastern Provinces.

The main features of this question, as affecting the PICTOU COAL FIELD, are hereafter respectfully submitted.

### **GEOGRAPHICAL CONDITIONS.**

The Pictou collieries are known as mainland collieries, and have access to the Atlantic Ocean only through the Gulf of St. Lawrence and the Straits of Canso. They are at a great disadvantage to reach the New England coast in competition with Cape Breton collieries, on account of longer distances, increased freight and insurance rates, and a considerably shorter season for shipments. Whereas shipments can be made the year around from Louisburg, Sydney, etc., it is only possible to ship during six months in the year from Pictou. The only market for the Pictou coals in addition to the local market in Nova Scotia and New Brunswick is in the valley of the St. Lawrence, and cannot be compensated for by any

coast trade of the United States, which is served almost exclusively by American coals mined, shipped, and delivered at less cost.

#### PHYSICAL CONDITIONS.

Canadian coals are sold in the Canadian market mostly in competition with American coals, and it is necessary to note the physical differences of these two sources of supply.

The Appalachian coal field, from which the States of Pennsylvania, Maryland, Ohio, West Virginia, and Virginia derive their coal, is the richest and most extensive in the world, and contains all kinds and varieties of coal, from anthracite to bituminous and gas coal. These coal seams are not as steeply inclined, not as deep, not as gaseous, nor as difficult to mine, as the Pictou coals.

Moreover, mining operations are on a much larger scale, and on a more economical basis in the United States than in Canada, on account of the immense market open to American coals in both countries. In addition to Pennsylvania, with an annual production of 134,056,408 tons, the Southern States of Virginia, West Virginia, and Maryland, now produce alone 49,186,313 tons annually, and in many cases the coal owners have specially constructed railroads, with low gradients, to the coast, by which they can place their products at tide-water at low figures. These States to-day control the New England market. The price of best West Virginia coal at the mines has run from 96 cents to \$1.11 per ton in the past five years, while the cost of transportation of their coal from Hampton Roads to Boston was only fifty cents a ton in 1908, and sixty cents a ton in 1909. It is needless to say that Nova Scotia, with its total sales of 4,615,713 tons in 1909, cannot enter the lists against the forces of such competition.

This strong fundamental position is fortified in the Southern States by the fact that their labor, mostly derived from



the colored race, is, very cheap, and that conditions prevailing in these districts do not compare with those in Nova Scotia.

Facing these conditions, the Pictou coals are difficult to mine, on account of the steep inclination of the seams, which quickly carry operations to great depth below the surface, increasing the cost of mining and hoisting the coal; they are gaseous, entailing considerable expense for the protection of miners; they are operated with a highly paid class of men; and, further, they have only a limited market, the largest portion of which is at a long distance from the mines and is served by American coals, as evidenced by comparing the imports of bituminous coal in 1909, which amounted to 8,069,424 tons, with the total output of the Nova Scotia mines, which amounted to 4,615,713 tons.

It is manifest that the physical conditions in the United States and Pictou coal fields are such that the cost of production in the United States, adding thereto the duty of 60 cents per ton, is considerably less than the cost of production in the Pictou field. The question, therefore, resolves itself into one of life or death for the Pictou collieries. It is beyond question that reciprocity in coal would mean the curtailment of output to such an extent as would paralyze operations at the Pictou mines.

#### MARKET CONDITIONS.

There is no more common delusion as to trade conditions than the oft repeated statement that the New England States are the natural market for Nova Scotia coal, and the consequent deduction that if coal were admitted free into the United States an ample and profitable market would be found.

This theory is supposed to have some justification because it is said that in the days of reciprocity—from 1854 to 1865—the coal industry in Nova Scotia was prosperous. The greatest quantity of coal sent to the United States in any year during

that period was 465,000 tons, and that, at a time when the production of the Southern States had not begun and the trade and development of the United States was paralyzed by the Civil War. Since then the whole situation has changed, and no comparison can be made or results deduced from the experience of the past.

To-day the total coal consumption in the four New England States is 15,464,323 tons yearly. To supply this demand there are four coal producing States, as closely, and more advantageously situated to this market than Nova Scotia, and having a total annual production of 183,242,721 tons.

The New England States are supplied the year around by rail and water deliveries. The coal carriers are closely allied, when not identical, with the coal producers, which fact creates such conditions as render competition from Nova Scotia impossible. Moreover, the American people will always give preference to their own products, which natural tendency would be greatly strengthened by the expenditures and inconveniences resulting from changes in equipment necessary to utilize a foreign coal having different characteristics. It must also be noted that the State of Massachusetts has enacted legislation "To provide for the abatement of smoke within certain districts," and that from a practical standpoint this legislation prevents the use of Nova Scotia coals in Boston and surrounding districts, owing to the coal being more volatile and generally making more smoke.

The local market in Nova Scotia, which is limited, and the St. Lawrence market, are the natural and only markets for the Pictou coals. Notwithstanding this, American bituminous coal is delivered in Montreal, Quebec, Sorel, etc., in large quantities, as evidenced by the "Report of the Department of Customs," placing the value of bituminous and dust coal entered for consumption, during the fiscal year ending March 31, 1910, at \$527,083.00 in Montreal, and at \$63,063.00 in Quebec. This does not take into account the considerable

amount of anthracite coal in small sizes entering duty-free, and which is making serious inroads in the market for Nova Scotia bituminous coal, for steam purposes. It will be seen from the above that in the St. Lawrence market the Nova Scotia coals are submitted to very keen competition from American coals.

To the West of Montreal—American coal is exclusively used as far as the western coal fields, and the Nova Scotia coals cannot hope to reach the Ontario market with the present transportation facilities. Until the Georgian Bay Canal is constructed, or better transportation facilities provided, the Nova Scotia operators could not meet competition of the American coals, and present prices would be maintained in the Province of Ontario. It should be noted that coal consumers in the central part of Canada are paying no more for their coal than the Eastern consumers, and even less. On September 29th, 1910, the following prices were quoted in Montreal and Toronto, as given in "Canadian Engineer" of above date:

Montreal,—Run of mine Nova Scotia coal, carload lots basis \$3.85 to \$4.00 per ton.

Toronto,—Run of mine, on cars, \$3.65 to \$3.70 per ton for Youghioghenny; for coal from other districts, run of mine, on cars, \$3.45 to \$3.60 per ton.

#### FINANCIAL CONDITIONS.

A policy of reciprocity in coal with the United States would cause serious financial disturbances in Eastern Canada, and it is sufficient to mention the following:

A large amount of capital would have to be expended outside of Canada, were it possible to secure trade in the New England States, for the purpose of building discharging plants and handling facilities;

A considerable reduction in Provincial revenues would follow curtailment of output, which would be the inevitable consequence of this policy; in 1908 the total revenue of the Province of Nova Scotia amounted to \$1,783,400.00, of which \$616,900.00 was derived from royalties on coal;

A material reduction in Federal revenues would be a consequence of the removal of the duty on Bituminous coal, without any benefit whatever to Canadian industries, and solely for the advantage of American coal producers, American railways, and transportation companies;

Taking the fiscal year ending on March 31st, 1910, the duty collected on bituminous coal amounted to nearly \$3,500,000.

To the above should be added that, as regards more particularly the Acadia Coal Company, the expenditure of a considerable amount of foreign capital secured to develop the mines would be immediately curtailed, causing serious prejudice to the whole community and to the credit of Canada.

#### SUMMARY.

Summarizing the above, it is respectfully submitted that a policy of reciprocity in coal with the United States of America,

(1) Would afford no compensation whatever to the collieries of Eastern Canada for the loss of their legitimate and natural market in the Valley of the St. Lawrence.

(2) Would disregard completely the physical conditions in both countries, with the result that Canada's natural resources would be left undeveloped. Attention is called to the fact that the United States Government has appointed a tariff commission whose particular duties are to ascertain the comparative cost of production abroad and at home, with the view of basing the American tariff on such differences.

(3) Would cause immense prejudices to Eastern Canada without benefiting the other Provinces to any material extent, as the Province of Ontario is at present served by American coals, and for many years to come can only be served by them whether the duty be maintained or abolished, with the result that only the American producers and shippers will be benefited. As regards the Western Provinces, they are coal producers and have a market both in the United States and in Canada which is dependent upon their coals.

(4) Would jeopardize the capital invested not only by the coal companies but by all the communities living directly or indirectly upon the coal mines of the Eastern Provinces.

Submitted on behalf of the Acadia Coal Company, Limited.

H. MONTAGU ALLAN, President.

**MEMORANDUM RESPECTING RECIPROCITY IN COAL  
WITH THE UNITED STATES OF AMERICA, SUBMITTED  
ON BEHALF OF THE INTERCOLONIAL COAL MINING  
COMPANY, LIMITED.**

---

TO HON. W. S. FIELDING,  
MINISTER OF FINANCE.

SIR:

There is no more common delusion as to trade conditions than the oft repeated statement that the New England States are the natural market for Nova Scotia coal and the consequent deduction that if coal were admitted free in the United States an ample and profitable market would be found.

This theory is supposed to have some justification because it is said that in the days of Reciprocity from 1854 to 1865, the coal industry in Nova Scotia was prosperous. The greatest quantity of coal sent to the United States in any year during that period was 465,194 tons and that at a time when the production of the Southern States had not begun and the trade and development of the United States was paralyzed by the Civil War.

Since that period the whole situation has been changed and no comparison can be made or results deduced from the experience of the past.

In 1908 the total consumption of coal in the four northern New England States was 15,464,323 tons. To supply this demand there are four coal producing states as closely and more advantageously situated to the market than Nova Scotia, with a total annual production of 183,242,721 tons.

This supply of 15,464,323 tons is furnished to these New England States in the following ways, namely: 10,917,029 tons by water and 4,547,294 tons by rail. The rail shipments are mainly from Pennsylvania, over roads in close alliance with the coal producers.

The water shipments come from Southern Pennsylvania, Maryland, Virginia and West Virginia through rail to the coast and by water from Baltimore, Philadelphia, Newport News, Norfolk and Washington.

Apart from Pennsylvania with an annual production of 134,056,308 tons, the Southern States of Virginia, West Virginia and Maryland now produce alone 49,186,315 tons annually and in many cases the coal owners have specially constructed roads with low gradients to the coast by which they can place their products at tide water at low figures. These States to-day control the New England market. The price of best West Virginia coal at the mines has run from 96 cents to \$1.11 per ton the past five years while the cost of transportation of their coal from Hampton Roads to Boston was only 50 cents a ton in 1908 and 60 cents a ton in 1909.

It is needless to say that Nova Scotia with its total sale of 4,615,713 tons in 1909 can not begin to enter the lists with such conditions and against the forces of this competition, alone, without discussing the competition of Pennsylvania.

Coal is not only brought by water to Boston from these points but is forwarded by special rail rates to the Eastern Townships from Boston and is sold inland there to the exclusion of Nova Scotia coal.

In a report to the Boston Chamber of Commerce from a committee which lately examined the subject the following words appeared:—

"New England receives nearly all its coal supply from the Northern Appalachian Field of Pennsylvania, Maryland,

West Virginia and Virginia. This field is the richest and most extensive in the world and contains all kinds of coal from anthracite to bituminous coal and gas coal."

The strong position of this field, the richest and most extensive in the world is fortified in the Southern States by the fact that its colored labor is the cheapest and poorest paid; by the advantageous position for working purposes, of their coal seams; by their splendid transportation facilities in many cases controlled by the same capital and by the pride of the American Nation, which would always give the preference to its own people.

In view of our deep seams, the high wages paid to workmen, the fact that navigation in the Gulf of St. Lawrence is closed from November to April and, that under such conditions, apart from all others, it is not a business proposition to provide discharging facilities at U. S. points; the Coal Mines of Pictou County could not hope to send any Coal at all to New England, and to permit American Coal to come into the St. Lawrence Market would cripple and greatly injure them.

In 1908, a normal year, there was 5,485,583 tons of Coal produced in Nova Scotia; of this amount, nearly three millions was sold in the Maritime Provinces and Newfoundland, and 2,047,638 went up the St. Lawrence.

The St. Lawrence market is an increasing one and is the natural and only market for Nova Scotia. To-day, the American Coal producer, paying the duty, sends his Coal by barge through the Canals into the City of Montreal and other points and, with the duty removed, would destroy the St. Lawrence market for Nova Scotia. He would prevent the Pictou County Mines from shipping their Coal to Montreal absolutely.



Development of Coal measures in the Northern and Eastern part of Nova Scotia would cease, hundreds of men would be thrown out of employment, capital would not be invested in Coal, the Provincial Revenues would decline, and no greater a blow could be struck at Nova Scotia, industrially, than to remove the Coal duty, the alleged compensation for all this, the removal of the Coal duty by the United States furnishing no market and nothing whatever in return.

During the labor troubles in Nova Scotia the American producer took advantage of the conditions to push into our markets against the duty. This aggressiveness would be displayed in a greater degree, if there was free Coal. The proposition that Nova Scotia, with a Coal production of 5,500,000 tons, could cope either in New England or Montreal with a production of 183,242,721 tons from the "richest and most extensive Coal fields in the world," need only be stated in order that one may appreciate how hopeless the task would be.

We beg to submit this statement on behalf of the Intercolonial Coal Company.

D. FORBES ANGUS,  
*Vice-President,*

INTERCOLONIAL COAL MINING COMPANY LIMITED

Dated October 22nd, 1910.

## THE COAL TRADE AND RECIPROCITY.

(HON ROBERT DRUMMOND.)

The question may be asked: "Is the continual advancement of the coal trade so bound up with the future prosperity of Nova Scotia as to justify its people in claiming for it particular and special consideration at the hands of Parliament?"

The answer can only be, Certainly, that industry which in conjunction with its ally—the steel industry—gives employment to 22,000 able bodied workmen; distributes in wages ten million dollars, and in wages and supplies fifteen million dollars; the industry which furnishes the province with its chief source of revenue; which makes markets possible and profitable for our farmers; which stimulates the trade of our wholesale and retail merchants; which supports one-fourth of the population of the province; appreciably benefits half of the population, and indirectly the other half, and which promotes immigration and checks emigration, demands the most careful and, may I not say, serious consideration. As to the beneficial effect of briskness in the coal trade on the province, I may be permitted to quote, as I cannot improve upon it, from a paper read last year before the Mining Society:

"The best and surest plan of retarding emigration, and at the same time, stimulating immigration, of the kind most desirable—people to settle on the land—is to promote and foster mineral production, and give all encouragement to the establishment of industries. We have been complaining of the number of vacant farms, in nearly every county of the province. When, let us ask, did the emigration from the farming districts show most activity, and what were the chief causes of the exodus? Emigration from the farms was most active from say 1860 to 1885, a period when mineral production was in nigh a stagnant condition in Nova Scotia, and was becoming very active in the U. S. The reasons for this emigration were that employment at the mines was precarious, and there was a lack of population and consequently little or no home market, at anything like re-

munerative prices. For these reasons thousands upon thousands of her brawniest sons left Nova Scotia for the States, where they could obtain steadier work and higher remuneration. And had there been no growth in mineral production since 1885 it is hard to estimate how many more vacant farms might have been added to the list in the counties east of Colchester. This emigration from the farms to the States, was checked as soon as Nova Scotia, in the matter of mineral production, had cast off its swaddling clothes. It should not be a matter for surprise that farms were deserted in the sixties, seventies and eighties. The husbandman could not get adequate return for his long and grinding hours of labor. At home there was an insufficient market; while the market abroad was unprofitable. It is scarcely to be wondered at that men turned their backs on the farm, when eggs had to be exported to the States, netting eight cents a dozen, and when butter did well if it fetched 12 cents a pound. All farm stuffs sold at unprofitable prices. To an inadequate home market in these days, was undoubtedly due the decline in husbandry. With the rapid development in coal mining since 1890, a very different tale is to be told. The home market to-day cannot nearly be supplied from the home farms. Instead of sending the produce of the farms to Boston, at unprofitable prices, Nova Scotia is to-day on a very considerable scale, an importer of farm products, at fancy prices. The change in conditions in the farming districts since 1890 has been simply wonderful, and farming, now, if ever, in N. S. should pay."

I proceed then, on the assumption that no Canadian Finance Minister will be a party to the inclusion of coal in a reciprocity treaty with the U. S. unless convinced

First, that it will be to the decided advantage of the Dominion as a whole.

Second, that it will not be disadvantageous to the coal trade of and generally, to the prosperity of Nova Scotia, and

Third, that while the minister recognises that the development of the new West should be encouraged, he must see it should not be at the expense of the East or of the pioneers whose early work made possible a way to the West.

There are some who make boast that their opinions never vary; and there are still those who doubt the honesty of those whose views have undergone a change. The one who fails to recognize that widely differing conditions require widely different treatment is scarcely a progressive or useful member of society.

Henry M. Whitney, when he came, inexperienced, to Nova Scotia in '93, was a perfervid free coal leaguer. A few years later, having gained knowledge of conditions here, he was wholly in favor of the St. Lawrence as against the "natural market."

There are those of us who, thirty years ago, were ardent disciples of reciprocity in coal see in it to-day nothing but an impediment to the progress of our province; and for this change of belief there is sufficient justification. Previous to 1878 the best individual market for Nova Scotia coal was the United States, and naturally, at that time, and subsequently, there were those who thought that a renewal of a treaty similar to that of 1854, would restore to us that largely lost market. In process of time the Quebec market grew in proportions and at that market grew larger, while the U. S. market kept diminishing, the desire for reciprocity waned. Now, instead of there being any desire for reciprocity, sentiment in Nova Scotia is largely opposed to it. Conditions thirty years ago may have justified a desire for reciprocity, and little wonder some coal operators "reciprocationists"—to use a word employed by the late D. J. Kennelly—seeing that in 1873 they sent to the U. S. 254,000 tons of coal and got the pleasing price of \$7.00 a ton for it. And, also, little wonder, if by the time 1896 came round they had abjured their former faith seeing that in that year they sent 174,000 tons and got less than half the former price for it. The fact that

conditions have wholly changed must be impressed upon those whose persistent refrain is, "The New England States our natural market."

Some who still argue for reciprocity must labor under the fallacy that while the Nova Scotia operators have been extending their business and adopting modern methods, the American operators have been standing stock still. The fact is that the expansion of the American coal trade is the wonder of the world. In 1865, the year Nova Scotia sent the largest quantity of round coal to the U. S., (465,000 tons) the total production of coal there was 20,000,000 tons. To-day the production is twenty times greater.

The idea of reciprocity was rightly abandoned when it was made evident that in Quebec we had a larger and more constant market than we ever had or could obtain, by any means, in the United States, duty or no duty. The best that we ever did in our 'natural market' was to send a tenth of a ton per head of the population in that market. To-day we are sending to Quebec a quantity ten times larger in proportion. These changed conditions have been the factors in Nova Scotia's conversion. The Quebec market is still Nova Scotia's, though the Americans have been increasingly encroaching upon it of late years. With one heart and voice the people of the province should proclaim their determination to hold, if possible, what they have.

The question is: Under a reciprocity treaty would there be danger of the loss, partial or total, of the Quebec market. Scarcely one will be found who does not admit a partial loss, and there are few, conversant with the trade, who will not say if the loss may not be total, it will be so serious as to render shipments to the St. Lawrence a negligible quantity." Even with a duty in our favor we have not the hold on the

market we had a few years ago. In 1906 the importations of American bituminous coal totalled only 56,969 tons; in 1907 they went up to 198,543 tons round and 52,216 dust; while in 1908 they mounted up to 463,391 tons of round, and 133,060 of dust. Or put another way; Of the total consumption of Bituminous coal in the Province of Quebec the U. S. in 1906 supplied 3.6 per cent, in 1907 12.6 per cent and in 1908 22.3 per cent. Not only must free coal, but also any lowering of the duty, be vigorously resisted. A lowering of the duty by no more than 20 cents will seriously affect shipments to the St. Lawrence. In his testimony before the Royal Commission on a eight hour day, General Manager Duggan, of the Dominion Coal Company, stated that a reduction of two hours from the working day would involve an increase of 35 cents per ton in the cost of production. That this estimate of increased cost was moderate is borne out by the Miners' Federation of Britain who placed the cost of the Statutory 8 hour day at 30 cents per ton,—this after a year's experience of it. Mr. Duggan emphasized the point—as to the increased cost—by stating that such extra cost would shut out the Company entirely from foreign markets—and if the Dominion Coal Co., then all other Companies, and, further, he stated that with an increased cost such as estimated, it was doubtful if the company could sell coal in the Canadian markets outside the Maritime Provinces, at a price that would return the actual cost of delivery. The company would be reduced to the markets of the Maritime Provinces, and these could only consume a small portion of the output of the Company. Should such a condition arise, Mr. Duggan more than suggested that the only practicable plan would be to reduce production, and increase the price as high as outside competition would allow, which would probably be from 50 cents to \$1.00 per ton above current prices.

As to the effect of a lowering, even, of the duty—not to speak of its abolition—on the coal trade with Quebec, but one opinion was expressed by the Commission and that opinion prevails among all the large operators and presumably

the lesser also, and was to the effect that it would be disastrous. Mr. Duggan testified on this point as follows:—

“The St. Lawrence is only open to us against American competition by reason of the high heating value of our coal, the long rail haul from the United States Mines, and the protective duty now imposed by the Dominion Government. The margin is an extremely narrow one. Increased cost of production to us; a lower rail rate from the American mines, or a reduction in the duty would practically hand the market over to the Americans. A large tonnage is being supplied by the American companies this year (1908). The English companies are also dangerous competitors. Foreign competition is being felt in our business at all ports.”

Professor Magill, Chairman of the Royal Commission on an 8 hour day, a man whose hesitancy in expressing an opinion, from straight evidence, is, at times, very exasperating, in referring, in his report to the government, to the increase in importations of late years, of American Coal says:—

“The importance of these figures is evident. They mean that the competition of American with Nova Scotian coal was and is real, and the only question is whether this competition is going to continue. . . . It may be held that coal mining in the United States is so much less expensive than in Nova Scotia; that in spite of the disadvantage of transportation and tariff, the American coal can successfully compete with the Nova Scotian. . . . If this be correct the outlook of the coal industry in Nova Scotia is not too bright. . . . The view has been expressed that the importation of American coal is not real, at all events, not serious, and that it is only advanced as an argument against free trade, or foreign organizations. A contrary view has been expressed by some of the men, that it is serious and should be met by an increase in the tariff. Those argue that Ontario and

Quebec sell large quantities of produce in Nova Scotia, and should therefore protect Nova Scotia's coal industry. The question of free coal versus protection is beyond the scope of this inquiry. But taking the market for Nova Scotia coal as it actually is, the importation of American coal cannot be lightly regarded. It is the most serious feature of that market. If that importation continues and grows, and if Nova Scotia coal can find no other market, in which it can successfully compete, the result will be disastrous. Both operators and men will lose. All who sell supplies to the companies and the employees will lose. The revenue of the province will be seriously affected. The sale of Nova Scotia coal will be diminished to the amount consumed in the Maritime Provinces, Newfoundland and the bunker business. This amount will be produced by the company that mines most cheaply. The mines of Pictou and Cumberland counties will be closed, and the output in Cape Breton will be restricted to the lesser demand."

Prof. Magill sums up as follows:—

"But the existing market for Nova Scotia coal presents features of a grave character. The coal industry is fundamental to the welfare of the province, and before enacting legislation, which would undoubtedly add to the cost of operating the mines or seriously reduce wages, further consideration should be given to the feature referred to."

The argument from Prof. Magill's conclusion is, "that if 30 to 35 cents added to costs will jeopardize the Montreal market, much more will a reduction of 60 cents, in the shape of duty on imported coal." In order to emphasize the ill effects of any reduction of duty—not to speak of its total abolition—



on the coal trade of Inverness, Pictou and Cumberland, let me quote further from Mr. Duggan's testimony:

"While the export business of the Company amounts to 56 per cent. of the total sales, the per cent. of export among the other companies of Nova Scotia is only 41 per cent. I have shown that the export trade would be practically lost to us, and that unless we could secure some of the Nova Scotia trade of the other companies, the business would be reduced 56 per cent., as the export tonnage of the Company in 1907 was 20,000 tons greater than the entire sales of all the N. S. companies put together including both their home and export sales. We should find it necessary to absorb the whole of the home coal trade of Nova Scotia, and even this would mean a reduction of 800,000 tons in our annual output."

Further in his evidence he states that an addition of 35 cents to cost would practically kill the coal industry of the province.

It may be asked: 'How is it possible that American coal coming long distances by rail can successfully compete with Nova Scotia Coal with highly favorable transportation facilities between the mines and Quebec.' One might be content with the statement "I do not know, but I know it is done." Some reasons, however, may be advanced in explanation of the fact. The American Mines can produce coal 50 per cent cheaper—or even more cheaply than that—than the Nova Scotia Mines. The price of coal at the mine in the United States is \$1.00 to \$1.15 a ton; in Nova Scotia the price is from \$2.25 to \$2.75. Figures compiled from an American authoritative source clearly demonstrates that any advantage the Nova Scotia Mines may have over American, as regards transportation, is fully set off by the much heavier cost of production. Ill informed advocates of reciprocity in coal, in Nova Scotia, suggest that the reason coal cannot be produced so cheaply in Nova Scotia, as in the United States, is owing to the management of the Mines being

less intelligent, less skillful, and less energetic, and that the methods of getting coal are primitive rather than progressive, and slatternly rather than systematic and scientific. All of which charges are without foundation. In Mining science Nova Scotia is not a whit behind the best. Why, the one surviving expounder of the free trade principles—as applied to coal—propounded by certain railway corporations—and by them sought to be disseminated through the agency of an unincorporated body originally composed of some six souls, with the rather taking title of Free Coal League, in his 1904 Encyclical speaks by the book for once when he asserts that "The plant and equipment of some of our mines cannot be surpassed anywhere for the facilities they afford for the mining and shipping of coal."

Conditions are against us and some of these are:

Steeper seams and deeper mines.

More water and more pumping.

Heavier and more expensive machinery.

Tenderer roofs and more timbering.

Better ventilated and safer mines and therefore costlier supervision.

Severe climatic conditions: Short water shipping season.

More friable coal; more slack, affecting appearance.

Inability to use Mining Machines in many mines.

Much winter banking,—adding largely to cost.

Some advantages which U. S. operators possess are;—

Large home market, enabling them to dump excess.

Large labor market.

Lower rail rates, and cheap water transportation.

It has been calculated by experts that the U. S. operators possess advantages over Nova Scotia amounting to from sixty to a hundred and ten per cent. Taking the smaller rate, a ton of coal in the United States should cost ninety cents which in Nova Scotia costs two-twenty (\$2.20.) Nearly all interested in, and who are conversant with, the coal trade, are opposed to reciprocity, believing that free coal means the loss of our best market and that such loss would entail the following effects:

Close down some Mines.

Throw thousands idle.

Seriously interfere with the comfort of a hundred thousand people in the several mining Counties.

Appreciably affect the pockets of half the population of the Province.

Through loss of provincial revenue would affect the entire population, making impossible the necessary grants to elementary and technical education, interfering with the grants to roads, to transportation, to Hospitals and all useful and beneficent objects.

Would give foreigners a large slice of our, already, inadequate markets.

Would discourage proposed extended mining operations, hinder expansion of industries and repulse investors.

Would lower rates, and from that cause coupled with irregular employment, would greatly lower wages.

Would overstock the labor market.

Would increase the cost of coal to lower province consumers.

Would, as in former slack years, drive out a most desirable class of population.

Would greatly lessen inter-provincial trade, one of the great arguments put forward in favor of confederation.

Would be unjust to Nova Scotia, already unfairly treated in the matter of free anthracite, and free coal—and coal for coke.

Would impair the revenue of the railways owing to decreased traffic; and

Would not, while adding to the price of coal in the lower provinces, lessen the price in Ontario, which is the chief clamorer for free coal. This assertion is based on past experience. Ontario shouted for free anthracite, and got it. Well, in 1886, the price of duty paid anthracite was, at points in Canada, \$5.05. For six months after the abolition of the duty the price fell 20 cents only, a ton, and not fifty cents as, naturally, expected. At the end of six months the dealers, or the operators, or both in combination, "caught on," perceived that Canada must have the coal and so sent the price up beyond the former duty paid price. In 1887 the price went up to \$5.40, in 1888 it was \$5.30 and seven years later they were still to the good at \$5.30 per ton and there they still are. Instead of giving Ontario cheaper anthracite, I calculate the

abolition of the duty cost Ontario in ten years, six million dollars, while the federal revenue lost as much more. 'Oh', some may say 'free entry and higher prices was only a coincidence,' May be, but it is for the advocates of reciprocity to show that the dealers and American operators, did not scoop in the equivalent of the abrogated duty, and more.

The Toronto Globe considers it would be a grand arrangement that would give Nova Scotia and British Columbia coal free entry into the United States and 'permit us in Ontario to bring in soft coal from Pennsylvania without paying three millions a year in duties into the Dominion Treasury.' If free entry of U. S. coal might benefit Ontario; free entry of our coal to the U. S. would not benefit Nova Scotia one little bit. As soon as the American railways and mine operators became cognizant of the intention to send coal in, they would take effective measures to keep Nova Scotia out. The chief reason given why Nova Scotia should be able to make an inroad into the New England market, is that of nearness. That might count, all other things being equal, but as things are very unequal, it has no bearing on our ability to send coal thither. By rail and water the Virginia mines are distant from Boston, say 900 miles, and the Clearfield district via Philadelphia 732; and yet the Virginia coals, on account of the low cost of production, are keenly competing with those of Ohio and Pa. In the last six years while Ohio has an increased production of 8 per cent, Pa. of 9 per cent, West Virginia's increase is 29 per cent., and that proportional increase is likely to continue, as trade must be found for the new gigantic railway. According to the U. S. Geol. Survey's last report the value of Virginia coal at the mines was 99 cents, long ton; the rail freight was \$1.40, and the water freight say 50 cents, or say \$2.89 Boston. The cost at the N. S. mines is \$2.50 and putting the freight at 40 cents only there is a slight difference in favor of Virginia coals. Suppose the duty is removed we have to face a prejudice—or shall I rather say American practical patriotism—the equivalent of at least sixty cents per ton, of a toll. When Nova Scotia, in the se-

venties and eighties, sent coal to the United States, the prices realized were less by \$1.25 to \$1.50 than those obtained by the American operators. In 1875 though we sent only 89,000 tons—and therefore there was no slaughtering—N. S. co. fetched \$1.75, and in 1876 with an export of only 71,000 tons, \$1.50 per ton less than American.

In answer to those who talk of easy access to the New England market, the question, may be asked: "Shall the prey be taken from the mighty?" We applaud the growth of Nova Scotia's coal trade. In seventy years it increased sixty times. That of the U. S. increased three hundred times. At the present time the U. S. is producing fifty times more bituminous coal than N. S. The demand in the States at the present time is not equal to the supply. Is it at all likely the U. S. operators will quietly look on and allow Nova Scotia to seize even a small share of their trade? We are told on the best authority that we cannot spoil the unbound strong man of his goods. And the mine operators and coal carriers are strong over there. The capitalization of one coal carrying road alone, is eight times greater than that of all the coal mining companies in Nova Scotia combined.

They speak of a fifteen million market open to Nova Scotia in the New England States. In all that territory there are only four ports where the quantity of incoming coal is sufficient to necessitate the employment of modern discharging plants; these are Portland, Boston, Providence and New Haven.

The latter port, New Haven is too far Southward to be considered. Providence has now the largest fleet of sailing vessels in the world, with a tonnage of about 50,000 tons. Coal is carried and handled at a rate to make competition impossible. Boston, it is true, takes three million and a half tons by water, but ground for storage and discharging plants could only be had at prohibitive prices. Portland is left. A little trade might be done there,—with the railways. But what

after all would that mean? Simply, that any coal sent to Portland for, say, the Grand Trunk, would mean an equivalent less quantity sent to the St. Lawrence. Certain in Ontario exclaim:—"Free access of N. S. coal into the U. S., for free access of N. S. coal into Ontario. What can be fairer? Nova Scotia gets a quid pro quo". Oh, no. The Americans would get the 'quid'—vulgarly speaking—the thing having substance, while Nova Scotia would get the 'quo' the shadowy 'what'.

The American sellers, especially when conjoined with Ontario dealers, are adepts at 'catching on.' They caught on in the case of Anthracite, and also in that of 'dust'. Experience makes perfect and bold. In the nineties the duty on slack was ad valorem. In 1892 they paid a duty of 9½: in '93 8½ cents. but having got wisdom they had by 95 whittled it down to 5½ cents, and goodness knows where they would have stopped had not the Finance Minister also caught on and made the duty specific.

